

Key Findings and Recommendations of the 2009 Select Committee on Pensions:

Key Findings:

1. Pension changes in 2001 and 2005 generally brought Atlanta's plans into line with the plans offered by the local county governments with whom it competes for a majority of employees.
2. Multiplier changes widened existing differences in Atlanta's three Defined Benefit plans that had historically been fairly similar.
3. The 2005 changes were deemed affordable by the Department of Finance and were approved by the City Council and signed by the Mayor.
4. A review of Atlanta's 2001 and 2005 pension changes by the Department of Law found no evidence that any of those actions violated Georgia's Constitution.
5. Awarding higher multipliers for all three plans (two retroactively) significantly increased the unfunded liability of each plan.
6. Although reducing attrition in the Fire and Police ranks was a major rationale for the 2001 and 2005 pension enhancements, we found no evidence of such results.
7. Atlanta appears to have historically made its 'annual required contributions' (ARC) to the plans.
8. Atlanta's pension plan investment performance closely mirrors that of Fulton, DeKalb, and Cobb counties.
9. Since 2001, underperforming investments due to market weakness have significantly increased Atlanta's required contributions.
10. Atlanta's 'annual required contribution' (ARC), which is already consuming an ever-greater portion of the General Fund, is projected to increase dramatically in the coming years.

Recommendations:

1. Adopt a policy statement affirming that any/all Atlanta pension plan(s) should:
 - A) Provide a retiree the opportunity to receive 75% of his highest pre-retirement income.
 - B) Observe the standard "three-legged stool" formula regarding the 75%: one-

- third personal savings; one-third pension; one-third Social Security (or equivalent).
 - C) Absent Social Security participation, Atlanta should provide TWO-thirds of the 75% (50%).
 - D) The target percentage should be higher for lower-salaried employees.
 - E) Changes in the pension plans should bring the benefits offered by Atlanta's different plans closer together.
 - F) Salary (not pension benefits) should be the primary tool for addressing employees with demonstrably more hazardous jobs, i.e. police and fire.
2. Working with pension board trustees, union leaders, actuaries, and other appropriately credentialed consultants, the City should:
 - A) Evaluate the adoption of a 'rolling' pension fund amortization, and explore additional funding and investment methods.
 - B) Weigh the pros/cons of participating in Social Security.
 - C) Weigh the pros/cons of a surrogate benefit for SS (including a City match for employees' voluntary deferred compensation).
 - D) Recommend options for correcting flaws in the Defined Contribution Plan.
 - E) Review the governance structure of Atlanta's three defined benefit pension plans.
 - F) Evaluate a new, hybrid plan involving elements of both a defined benefit and defined contribution plan. Specifically, such an evaluation would include but not be limited to:
 - i. Funding a Defined Benefit plan with a lower multiplier and no employee contribution.
 - ii. Encouraging greater voluntary retirement savings by changing the structure of the plan and/or increasing the matching employer contribution.
 - iii. Incorporating benefit opportunities offered by the State, as are available to police and fire fighters.
 3. Confirm the existence, awareness of, access to, participation, and effectiveness of the various educational/counseling programs available to employees for the purposes of fostering personal savings and financial health.
 4. Establish, as legislated for the Defined Contribution plan for General Employees hired after July 1, 2001, the required 'Management Committee' consisting of the Chief Financial Officer, the Chairman of the Finance Committee, and the Mayor or her designee to ratify and oversee the management activities of the Plan Administrator (the CFO).
 5. Support Atlanta's proposal in the 2009 Legislative Package to amend State law so as to increase pension fund investment opportunities.
 6. Explore options for addressing any terms of the financial relationship between the

City and Atlanta Public Schools that disadvantage Atlanta within the General Employees defined benefit plan.

7. As a potential pension fund revenue-raising source, request via a resolution that the Department of Law evaluate the feasibility of, among other potential sources, adopting 'surcharges' that might be applied to City charges, fees, and fines.
8. Request the Finance & Executive Committee to address, with input from union leadership and the Administration, healthcare policies and costs.
9. The Pension Select Committee will seek to discuss these findings and recommendations with the Mayor, Chief Operating Officer, Department of Finance; Department of Law; and Department of Human Resources.